

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 AID-05 IGA-02 ABF-01 EB-07

TRSE-00 COME-00 OMB-01 CU-02 AGR-05 INT-05 TVA-01

USIA-06 OES-03 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

PRS-01 SP-02 FS-01 L-03 /064 W

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P 081415Z MAR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 4376

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E.O.11652: N/A

TAGS: EAID, BR

SUBJECT: REIMBURSABLE TECHNICAL COOPERATION

1. SUMMARY: USAID AND EMBASSY OFFICER MET WITH INTERNATIONAL COOPERATION SECRETARY COSTA TO DISCUSS USG EFFORTS TO FACILITATE CRUZEIRO/DOLLAR CONVERSION FOR POST-USAID TECHNICAL COOPERATION. COSTA OUTLINED TWO MAJOR PROBLEMS WHICH A CONCEPT OF FULLY REIMBURSABLE ARRANGEMENT POSED FOR BRAZIL: (A) PROBABILITY THAT OTHER DONORS WILL REQUEST EQUAL TREATMENT AND (B) THE PAYMENT OF OVERHEAD COSTS, WHICH ARE ALREADY HIGHER IN THEUS THAN IN OTHER COUNTRIES, MAY PRESENT PROBLEMS TO THE GOB. INTERESTED WASHINGTON AGENCIES ARE REQUESTED TO EXAMINE EXTENT TO WHICH RPOBLEMS OUTLINED BY COSTA MAY BE SOLVED. END SUMMARY.

2. IN A MEETING WITH ACTING AID DIRECTOR AND TREASURY ATTACHE, INTERNATIONAL COOPERATION SECRETARY COSTA EXPRESSED APPRECIATION FOR USG EFFORTS IN FACILITATING CRUZEIRO/DOLLAR CONVERSION FOR POST-USAID TECHNICAL COOPERATION ACTIVITIES. COSTA, IN SUPPORTING CONCEPT, OUTLINED TWO MAJOR PROBLEMS WHICH FULLY REIMBURSABLE

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TECHNICAL SERVICES ARRANGEMENTS POSE:

A) PROBABILITY THAT OTHER BILATERAL ASSISTANCE  
DONORS WILL REQUEST EQUAL TREATMENT, AND

B) POSSIBILITY THAT GOB WOULD HAVE TO PAY OVERHEAD  
COSTS TO U.S. AGENCIES FOR TECHNICAL SERVICES,  
COSTS OF WHICH ALREADY SIGNIFICANTLY ABOVE SILILAR  
SERVICES FROM OTHER SOURCES.

3. COSTA STATED THAT HE COULD MORE EASILY DEFEND  
REIMBURSABLE ROUTE IF THERE WERE ELEMENTS INCLUDED WHICH  
WOULD DIFFERENTIATE COOPERATIVE PROJECT FROM PURELY  
COMMERCIAL ARRANGEMENT. COSTA REFERRED TO COST ITEMS  
SUCH AS "OVERHEAD" AND "US AGENCY HEADQUARTERS SERVICES"  
WHICH HAVE BEEN QUESTIONS BY GOB IN PAST IN AID-  
FINANCED TECHNICAL ASSISTANCE LOANS. HE ALSO ASKED IF  
POSSIBLE REDUCE (PARTICIPANT) TRAINING COSTS WHICH MUCH  
HIGHER IN U.S. THAN EUROPE. ACTING AID  
DIRECTOR CITED AID'S WILLINGNESS PLACE BRAZILIAN  
PARTICIPANTS IN U.S. AT NO ADMINISTRATIVE COST, BUT  
THAT TUITION COSTS NOT UNDER AID CONTROL. COSTS  
REQUESTED USG TO EXPLORE COST REDUCTION POSSIBILITIES  
TO ASSIST HIM IN HIS TASK.

4. RECOGNIZING THAT LITTLE CAN BE DONE WITH  
TUITION CHARGES AT U.S. UNIVERSITIES, REQUEST  
STATE AND AID/WASHINGTON EMPLORE POSSIBILITIES  
ELIMINATE OR REDUCE FEES RELATING TO TRAINING OF  
BRAZILIANS IN USG INSTALLATIONS AND FURNISHING USG  
TECHNICAL SERVICES ON REIMBURSABLE BASIS. FOR  
EXAMPLE:

A) TRAINING: PER MCMAHON DECEMBER 19, 1975  
LETTER TO BALLANTYNE, U.S. BUREAU OF CENSUS QUOTING  
GOB \$1,750 STANDARD MONTHLY AID CHARGE FOR TRAINING  
IN U.S. BUCEN INSTALLATIONS. CHARGE INCLUDED TUITION,  
SUBSISTENCE AND INTERNAL TRAVEL IN U.S. COULD BUCEN  
ELIMINATE TUITIION CHARGE AT U.S. INSTALLATIONS? CAN  
USDA (INCLUDING USDA GRADUATE SCHOOL), TVA, TREASURY,  
AND USGS PROVIDE TRAINING FOR BRAZILIAN PARTICIPANTS  
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IN USG INSTALLATIONS ON NO-FEE BASIS?

B) U.S. TECHNICAL SERVICES--OVERHEAD: ACCORDING  
TO USAID RECORDS, THE FOLLOWING OVERHEAD RATES  
APPLIED TO TOTAL U.S. DIRECT COSTS ARE NOW IN EFFECT:  
BUCEN--20 PCT (PLUS .5 PCT FOR DEPARTMENT OF COMMERCE), USDA--  
25 PCT, TVA--35 PCT, USGS--40 PCT. WE UNDERSTAND THAT A PORTION  
OF U.S. AGENCY'S OVERHEAD CHARGES ARE FOR DIRECT

PERSONNEL BENEFITS SUCH AS RETIREMENT CONTRIBUTIONS.  
IN CASES WHERE SUCH CHARGES ARE IDENTIFIABLE, WE  
BELIEVE PREFERABLE TO INCLUDE THEM AS DIRECT CHARGE  
RATHER THAN OVERHEAD. WE RECOMMEND WAIVING ALL OTHER  
OVERHEAD CHARGES.

C) U.S. AGENCIES HEADQUARTERS SERVICES COST:  
REQUEST STATE/AID/WASHINGTON EXAMINE EXTENT TO WHICH  
SUCH COSTS CAN BE ABSORBED BY U.S. PARTICIPATING  
AGENCIES.

5. ELIMINATION OF OVERHEAD CHARGES AND OTHER COST  
REDUCTIONS ON THE PART OF USG AGENCIES WOULD GREATLY  
FACILITATE ACHIEVING USG POST-USAID OBJECTIVE OF  
CONTINUING BRAZILIAN/U.S. TECHNICAL COOPERATION  
PROGRAMS.  
CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TECHNICAL ASSISTANCE, COMPENSATION, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 MAR 1976  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** buchant0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
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**Film Number:** D760087-0383  
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**Image Path:**  
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**Office:** ACTION ARA  
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**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**TAGS:** EAID, BR, US  
**To:** STATE  
**Type:** TE  
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